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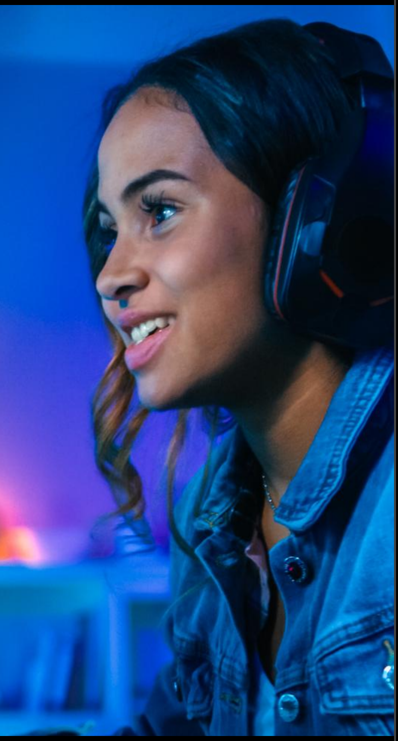
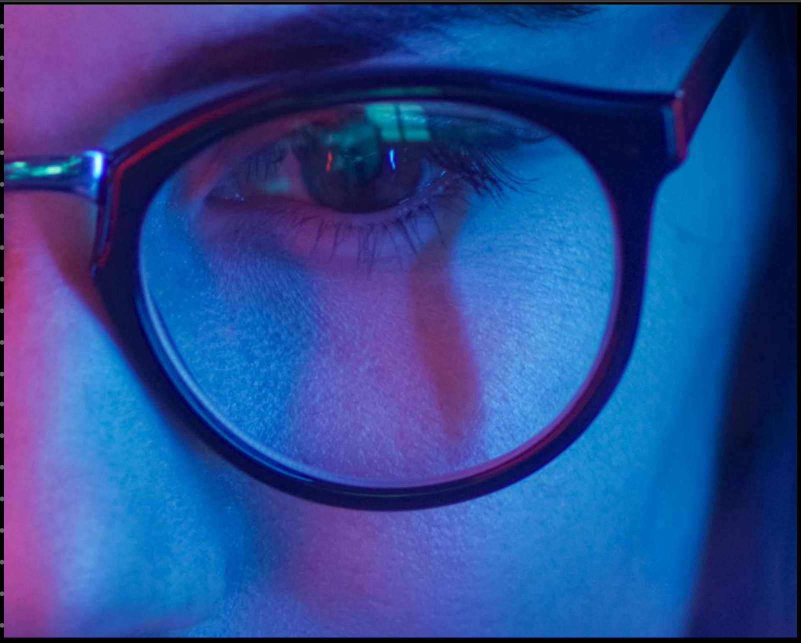
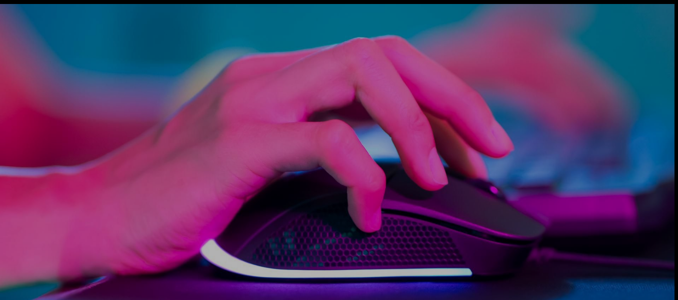


Gaming in the 2020s.

Reach, rewards and the new meditation

MARCH
2021





2020 was a *breakthrough* year for gaming.

In recent years, the sector had been steadily growing in note amongst the marketing community but was yet to become a mainstream consideration. It had neither been seriously appraised for its reach potential nor wholeheartedly embraced as a lever for driving brand connection.

Enter a global pandemic, an enforced focus on home entertainment and folks spending more time with their children. One of the many effects was a huge increase in exposure to and exploration of gaming, resulting in a greater understanding of its appeal amid widespread news coverage of family-friendly, stand-out titles such as Animal Crossing. All of a sudden, gaming exploded into the general consciousness of consumers and marketers alike.

Gaming is finally - and deservedly - a hot topic.

Cutting through the noise

The hype was fuelled towards the end of 2020 by the decades-old duel between the latest PlayStation and Xbox launches - always great fodder for a dramatic news story. Of course, console gaming is only one part of the ecosystem and these headlines are merely a distraction. Along with smartphones and computers, console devices are only ever really important as enablers of entertainment.

Consumers, according to a recent Guardian Guide, article are focused on "the games we want to play. This is why Nintendo's consoles sell like gangbusters despite their relative lack of power, and why millions more play games on phones and aging laptops".

For marketers engaging with the gaming sector for the first time, this is an incredibly useful summary, prompting appreciation that gaming is not a "channel" but a form of entertainment, around which a unique set of consumer behaviours have been built.

These behaviours are broad and exhibited across a hugely fragmented space, inclusive of vastly differing devices, platforms, locations and types of content. The different ways to engage and - crucially - reasons for doing so are multiple.

The opportunity

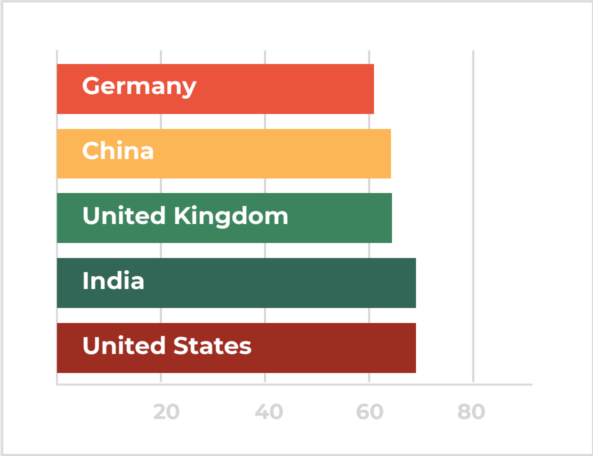
From tribes to moments

The key to navigating the space for brands is understanding this considerable variation in behaviours and motivations behind them. This is not only true because the category is so broad but because individual players drop in and out at different points, roaming the ecosystem depending on their momentary need states.

As happens in many other categories, it's tempting to think of gaming audiences in terms of 'tribes' - the hardcore versus the casual, and so on. And this can be useful, as it's true that many gamers have firm preferences, gravitating towards certain devices, genres and ways of engaging. But as their needs are seldom fixed it's most helpful to think of gaming in terms of moments in time.

From this perspective the full potential of gaming starts to reveal itself; some gaming moments present a social occasion while others are akin to deep meditation. For many players gaming is their passion, so each moment is about indulging in their hobby. Conversely, many other gaming moments represent nothing more than a desire to pass the time.

It's important also to understand that gaming interest behaviour extends way beyond just the act of playing. As leveraging fans' interest in film, sport or music is possible outside the cinema, live broadcast, or streaming of a playlist, so gaming has a whole ecosystem of content wrapped around it. From video streaming to publisher content, from subreddits to live esports events gaming fans are thoroughly spoiled with ways to engage.



Global gaming. Percent of the population playing video or mobile games on any device (YouGov)

To understand the opportunities to connect with audiences in this space, and select the most relevant ones for specific brand or campaign objectives, we must unpick the different types of gaming moments and the reasons behind each particular engagement at that point in time, on that platform and in that context. But why attempt it and what's to gain?

Remarkable scale

Gaming is big, all around the globe. In monetary terms, it's the world's largest entertainment industry, accounting for more than double the combined revenue of music and movies (NewZoo, 2019). Populations do vary in terms of enthusiasm with, according to YouGov, only 45% of Danes claiming to play any kind of video or mobile game, rising to 82% of all Thais. But the world's biggest economies are consistent in having strong engagement with gaming (see chart above).

And that's just the basics. Out in the wider ecosystem, NewZoo estimates that the global audience for esports - organised forms of competitive gaming using tournaments or leagues - totalled 495m in 2020 and will rise to 646m in 2023, with around 45% watching at least once a month. Remarkably, they report that 14% of the esports audience don't play games themselves.

Whilst growing everywhere, current esports awareness varies widely by market. According to YouGov, for example, 72% of the Chinese population is aware of esports compared with only 46% in Singapore and 26% in the UAE.

While often physically hosted in a stadium with a live audience present, esports attract large, multi-national audiences thanks to live-streaming. Beyond esports, streaming has been harnessed by individual players who also broadcast their gaming to live audiences, forming another rapidly growing area of the ecosystem. Users typically employ one of three major platforms, which vary in popularity around the globe. Twitch, for example, claims 1m daily users in the UK, while 49% of Indian gamers engage with YouTube Gaming (YouGov). Newer entrant Facebook Gaming is gaining ground in many markets, currently benefiting from 27% awareness amongst US gamers (YouGov).

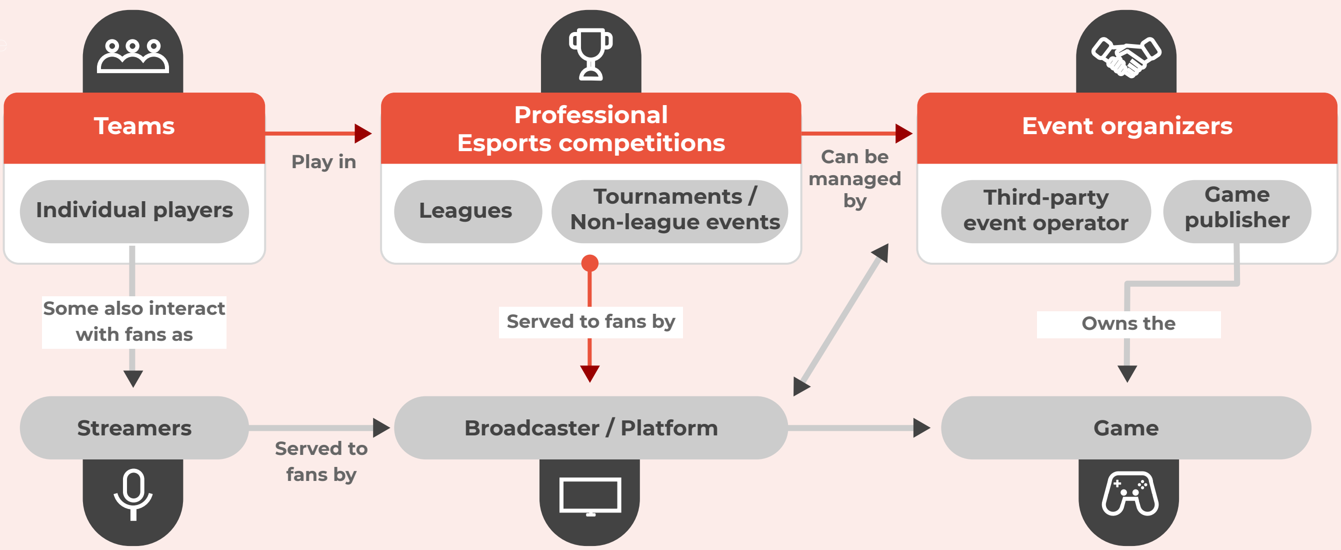
BONUS STAGE

Evolution of esports in branding

Though it hasn't been long since esports blew up globally, organisations and business have been challenging the definitions of what gaming is - and generating revenue by making use of content opportunities outside of competitive play a new approach that is being embraced by some of these organisations.

New-school organisations such as FaZe Clan and 100 Thieves own and operate competitive esports teams, but that's not all that they are known for. According to Forbes, their revenue generated from esports are 20% and 35% respectively, despite being ranked as the 4th and 5th most valuable esports companies in 2020 - with FaZe Clan having an estimated revenue of US$40 Million that year. In comparison, traditional esports organisations on the same list such as Team Liquid made 89% of their estimated revenue of US$28 million from esports the same year.

This stark contrast in business models really stands out in a sea of esports organisations that are typically focused on competitive tournaments - by fusing esports and gaming with lifestyle in general, FaZe Clan and 100 Thieves were able to branch out beyond the typical structure of esports sponsorships and deals.

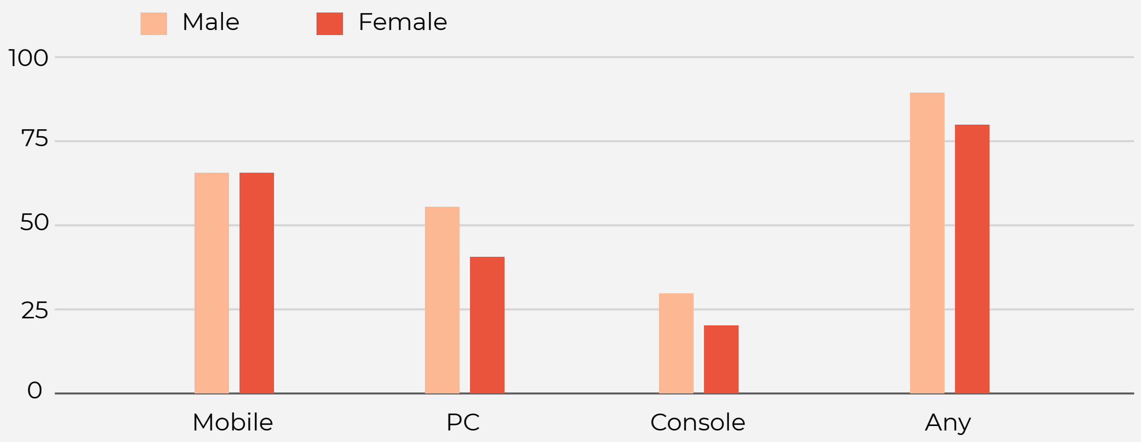


The exponential growth of esports is also buoyed by increased watch times on platforms like Twitch, YouTube and even Facebook.

Esports personalities are now stars with millions of followers and fans across the globe.

Newzoo estimates that by 2023 there will be 646 million people watching esports at a growth rate of 10.7% YOY.

Twitch reported a 98% growth in esports events watchtime from just 2019 to 2020, the highest they have achieved since inception.

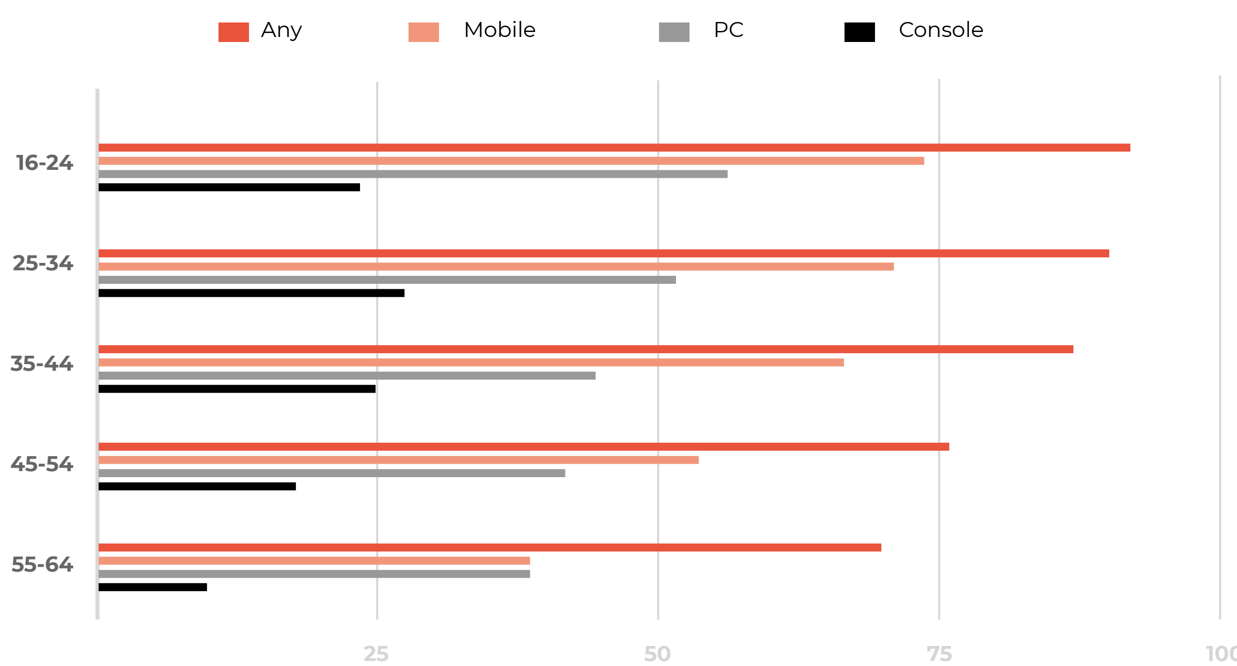


Gender parity. Percent of global internet users who play video games on any device (eMarketer)

Encouraging diversity

It's pleasing to note that the gaming audience is considerably more diverse than one might expect, contrary to the traditional stereotypes.

An eMarketer study of global internet users indicates that 83% of all women and 88% of men can be classed as gamers. And while gaming is most popular with younger users, a massive 71% of 55-64 year-olds engage in the space.



Rated for all ages. Percent of global internet users who play video games on any device (eMarketer)

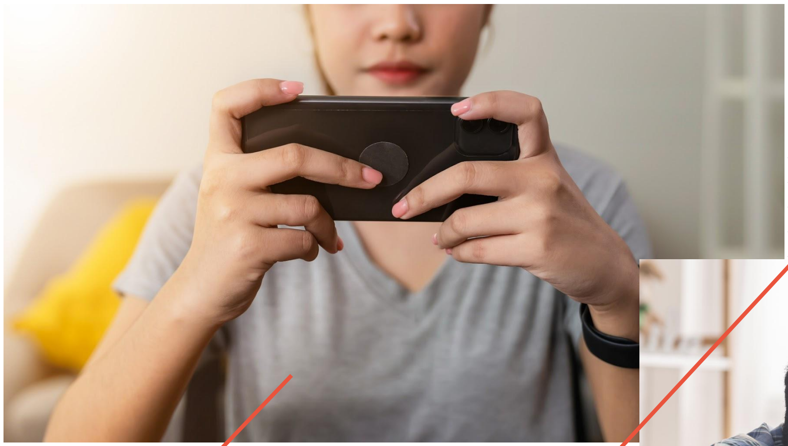
Mobile gaming in particular has broad appeal across genders and age groups, and it's here that older generations certainly feel most comfortable. But women aren't just playing Candy Crush, as one might be tempted to assume; that huge Twitch audience in the UK is 30% female and in Australia, women make up 42% of the YouTube Gaming audience (YouGov). Women are engaged in all parts of the gaming ecosystem.

The same YouGov data from Australia also shows how game streamers are well distributed across life stages, with a notable 57% of Facebook Gaming users being married, versus a national average of 33%.

The traditional stereotype of the young, single, male gamer also pictures him as white and straight. But GameSpot's UK gamers research shows how those who are black, have mixed heritage or descend from the Indian subcontinent are more likely than the general population to play.

The same study shows that sexual orientation has no influence on the overall propensity to gaming. It does, however, illustrate how people are drawn to different types of games, with gay and lesbian players preferring action adventure with straight gamers more likely to engage with sport and shooters. Meanwhile, with 21% of the UK gaming workforce identifying as LGBTQ+ and 3% being trans, there is a strong internal force towards building greater representation of queer characters within games themselves (The Association for UK Interactive Entertainment, 2020).

Ultimately, gaming is now so universal that IKEA is investing in it. The retailer launched a 30+ strong range of PC-gaming furniture and accessories in China this January and will roll it out globally across the year. One of these products could well be the Billy bookcase of the future.



Media considerations

Multi-tasking media

So, yes, gaming is big and inclusive but these are merely hygiene factors and not, in and of themselves, reasons for brands to pile in. Plus, there are other factors to attend to, not least the issue of attention itself.

With more users spending more time in gaming spaces - from March to April 2020, for instance, hours spent viewing Twitch streams rose by 50% in the UK - it's reasonable to suppose that media consumption outside of gaming is compromised, and that if your audience is into gaming then you have to be in those spaces in order to reach them.

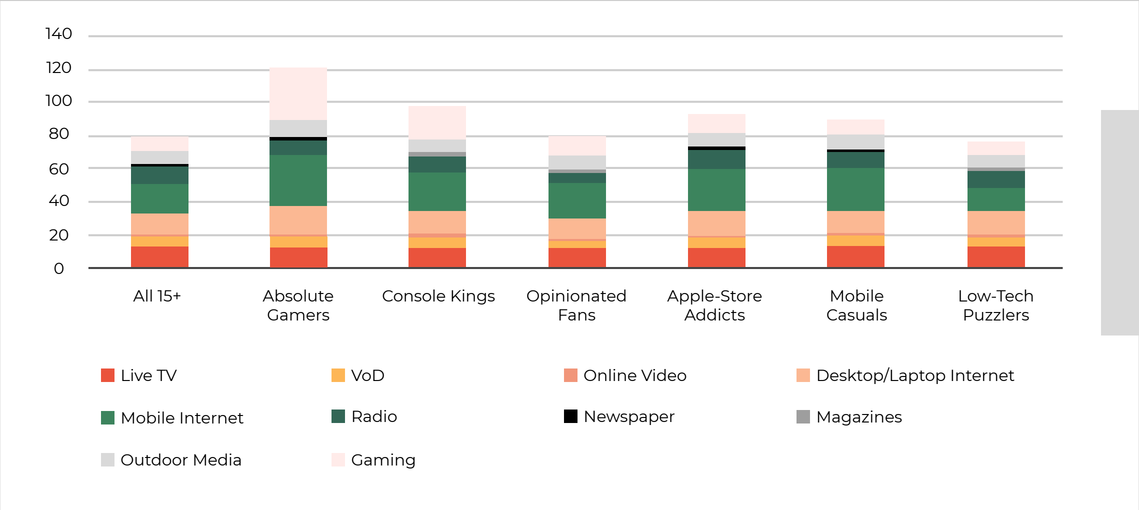
On the contrary, cannibalisation of media consumption is not a concern; most gamers spend more time with media than the average person, even when you remove gaming time from the mix. As illustrated by Kantar's TGI GB gaming segmentation, increased time spent gaming is closely correlated with overall increases in non-gaming media (see below).

So there's no problem - in theory - with achieving overall reach of gamers, even in non-gaming spaces.

But the addition of significant chunks of gaming time to the mix means attention is fragmented even further than we are used to. The implication, for example, that Absolute Gamers spend over 17 hours per day on gaming and media combined is significant. Given that the same Kantar survey shows they spend an average of 7 hours each weekday on work (in line with the national average, and presumably they sleep sometimes too) it's clear that a huge volume of their gaming and media consumption is done concurrently. Reach, therefore, is achieved easily, but attention is surely in scant supply.

There's a second point to note about this 'theoretical' reach. A YouGov survey of hardcore gamers in the US found ad blocking to be rife, with 69% of this group having installed the software compared with 47% of the national average.

It seems there is one stereotype that we can rely on: gamers tend to be technically proficient and highly sophisticated media consumers, adept at filtering information. To capture their attention we must plan carefully in order to cut through.



Endless mode.
Time spent (average. hours per week) by media channel

Attention seeking

Happily, the gaming space offers ample opportunity for brands to capture attention. Twitch's video ads, for example, are embedded into the stream and therefore immune to ad blockers. The platform seeks to mitigate against the ad-averse nature of their audience via a relatively minimal approach to ad load, and the uncluttered, solus breaks bring obvious benefits to brands; according to Twitch, videos enjoy good average completion rates of 83% with viewability and VOC scores well above MOAT averages.

Elsewhere in the ecosystem esports are proving to be a valuable asset to marketers where, compared with more established sports, the nascent status of the sector seems to elevate the value of brand sponsors. A YouGov study of esports fans in Germany, for example, compared their attitudes to those of soccer fans, finding the former to be much more receptive to brand sponsors (see right).

We must, of course, be wary of the delta between what people claim as their intention and what their ultimate actions really are. And just because a Twitch video ad can be seen doesn't mean it is looked at and acted upon (plus we'd prefer to see AVOC stats - showing what's audible as well as visible on completion). Ultimately, we must be aware that many gaming spaces are still immature when it comes to proven marketing effectiveness, and while many signals point to advertiser engagement being worth the risk, there is much still to learn.

Across one of the higher-volume areas of the ecosystem, however, there is plenty of opportunity to compare gamer attitudes to the advertising they see there with its marketing effectiveness.

In mobile gaming - where rewarded video ads allow players to gain a new life or advance to the next level - studies abound, allowing us to understand how attitude translates to action.

As illustrated by eMarketer (below), when it comes to the choice of engaging with rewarded ads versus making an in-app payment to achieve the same aim, the vast majority of mobile gamers say they prefer the ad.

Would US Mobile Gamers Prefer to Watch Rewarded Video Ads or Pay for In-App Purchases? Percent of respondents, by demographic, Q2 2020 (eMarketer)

We must note however that such ads can also prove an irritant to players. In a proprietary Mobile Annoyance study conducted by Essence in India, mid-game banner ads scored by far the highest on our Annoyance Index when compared with a range of other mobile ad formats (served both in-game and across other types of publisher content). End-game videos fared much better, however, under-indexing on the Annoyance scale versus other types of mobile ad.

Most critically, we have seen how in-game mobile ads can make a valuable contribution to campaign effectiveness. Our multi-market experiments on (the non-annoying type of) rewarded video ads showed that they drove brand lift, while reaching unique audiences versus other video environments. Thanks to high viewability and AVOC rates and the ability to optimise weekly frequency, messages are noticed, recalled and generate positive impact.

When it comes to effectiveness there's still an element of 'suck it and see' across other areas of this highly fragmented ecosystem, with hygiene factors such as transparency, measurement and other brand safety criteria being far from consistent. Still, pioneers such as WPP partner Anzu are working hard to address these challenges by creating access points that open up more gaming platforms in ways that adhere to the high standards we have come to expect from today's digital campaigns. Others will surely follow.

Bonus stage

Developing lasting relationships

Working with developers

The global gaming market was valued at $151.55 billion in 2019 and is expected to reach revenue of $256.97 billion by 2025. The COVID-19 Pandemic helped spur a revenue surge of 20% to $179.7 billion in 2020, making the video game industry a bigger moneymaker than the global movie and North American sports industries combined.

Coupled with this expansive growth is the fact that nearly 40% of media value is driven by non-endemic gaming brands (meaning unrelated gaming brands like food, beverage, and services), companies and brands that haven't begun crossing into the gaming space are already falling behind. The question of how, or rather where, to step into the gaming space remains at the forefront of many brand marketers.

The most prominent success story in recent years doesn't come from one brand in particular, but rather a single game title: EPIC Games' Fortnite. Entertainment brands in specific continue to flock to the platform not only to tap into the platform's massive 350+ million global reach, but more importantly because the integrations are closely guided by the developers of the game.

In-game integrations

Originally starting their in-game integrations with cultural influences like Marshmellow and Travis Scott's iconic in-game concerts that reached 10+ million players each, EPIC Games quickly opened the doors for endless brand partnerships, the first being DC Comics integration of Batman cosmetic and a Gotham City point-of-interest (POI). Disney swiftly followed suit by introducing Marvel characters like Deadpool as cosmetic items, followed by cosmetic, POI, and weapon items to promote Rise of Skywalker in 2019. Marvel once again took center stage by crossing Fortnite and Marvel comic lore (yes, it's canon) with an entire sponsored season.

Currently EPIC is releasing a slate of "Hunters" from various extending partnerships to properties in TV, Film, Gaming, and Entertainment with cosmetics items featuring Daryl and Mischone from The Walking Dead, The Predator from Alien vs. Predator, Master Chief from the Halo series and Kratos from God of War, as well as throwbacks like the T-800/Terminator and Sarah Conner, and even TRON inspired characters.

Companies and brands can create a moment of focus on themselves or their products through in-game integrations that mesh seamlessly by working directly with developers to bring the best version of in-game integration forward. Partnering with publishers and developers offers new ways to extend brand reach and acquire new audiences with little to no risk of consumer/player pushback. Brands with ambition to extend into the gaming space but have hesitations or uncertainties on how to properly activate the space should undoubtedly create relationships with publishers and developers to create lasting, memorable experiences shared by gamers around the world.

A force for good

Game over for stereotypes

We cannot mention brand safety in relation to gaming without addressing a couple more outdated stereotypes. Contrary to the popular, parent-worrying ideas that gaming habits encourage tendencies towards laziness, violence, and social maladjustment, multiple studies have proven connections between gaming and good mental health.

Like any form of entertainment, gaming is popular because it's fun, absorbing, and has the power to elevate otherwise dead time. But it appears to deliver more besides, offering the opportunity for brands to associate positively with what is, for many, a real force for good. The global lockdowns of last spring brought many of gaming's benefits to the fore, with its social connectivity and meditative power proving utterly paramount for many users.

According to Canvas8, 27% of all Americans said they played games to socially connect with others during this time while 30% of UK gamers see it as a therapeutic tool, helping them to deal with mental health issues. For locked-down populations, gaming environments functioned as an escape from boredom and anxiety as well as temporary antidotes to widespread feelings of helplessness - a safe haven where gamers could gain a sense of control.

Even at the very best of times, 85% of Chinese gamers say they play to relax (Mintel), while 55% of British players say it helps them unwind and relieve stress (Canvas8). The same Canvas8 report quotes the findings of a study which showed how the immersive nature of gaming makes it more effective than mindfulness at reducing work stress. Given all of this, it's no surprise that even parents are catching on to the positive social effects gaming has on their children, with 71% of US parents recognising the phenomenon (Canvas8).

Levelling up

It's clear that brands have much to gain from involvement in the gaming space. Its vast scale makes it a mainstream concern while the diversity of audiences allows for reach of groups that can be underserved by mainstream media.

While perhaps not a total rehabilitation, the recent reevaluation of the sector has done much to improve its reputation, quelling potential anxieties around brand suitability. Meanwhile, gaming partners are growing ever more mature in their approach to measurement and other campaign hygiene measures.

We see two main reasons for brands to engage, which in turn determine how **building gaming touchpoints** into the comms plan should be approached.

01
Incrementality

02
Equity

01

Incrementality

Your campaign audience is a *gaming audience*

Incrementality for non-endemic brands
Given the stats, it's probable that a decent portion of the target audience for a large number of campaigns engages with some element of the gaming ecosystem. Having seen how fragmentation of media time - and presumably attention - increases in line with this engagement, it makes sense to consider the inclusion of gaming touchpoints on such plans, with the aim of driving incremental exposure and a greater chance of getting noticed.

In these cases gaming touchpoints should be evaluated in line with any other video or display opportunity. For instance, most gamers spend less time with linear TV than the average adult, with online and on-demand video becoming more important the younger or more dedicated the gamer. So in cases where video is a key vehicle for campaign communication and a sophisticated plan is already required, the gaming habits of the audience should be considered.

The campaign may well benefit from building mobile gaming reward ads or Twitch's clutter-free stream into the mix.

Campaigns that rely heavily on out of home activity could also benefit from embracing gaming. While in-game, gamers are often 'OOH', even while sitting on their sofa. Games that feature contemporary settings (as opposed to historical or futuristic) often seek to mirror or mimic built environments, meaning in-game billboard ads offer a neat extension of real-life campaigns. With OOH impacts currently diminished and travel patterns set to alter for the long term - as flexible working becomes the norm - this is also an attractive way to regain some lost OOH impressions.

For those remaining commuters, killing time on their mobile, in-game ads can make up for some of the attention not being paid to transit ads while users focus on getting to the next level.

Leveraging *signals* of *differentiation* and *relevance*

Building equity in the service of growth
As already described, gaming touchpoints can be leveraged in the service of campaigns that are not specifically relevant to the genre, just like all kinds of campaigns can sit happily on the cinema screen, for example.

As with other forms of entertainment, where positive association and deeper connection will drive benefit for a brand, campaigns can be built specifically around the gaming genre.

Whilst incrementality touchpoints should indeed be incorporated into equity campaigns in order to drive overall reach, the focus for the latter is on working with partners at the centre of the ecosystem to create bespoke activations that deliver value to the audience as well as the brand.

These can include publishers of web or social content such as GameSpot or GAMINGbible, stars of the streaming platforms or an esports team or tournament owner.

Such partners know their audiences inside out and are vital resources for brands new to the space.

Closing thoughts

The brand, agency, publisher relationship

Leveraging the expertise of those already deep within the ecosystem is by far the most certain way of making deep, relevant and differentiated connections with gaming audiences. As we have noted though, this isn't the only role that gaming touchpoints can play; lighter-touch, reach-focused options are considerations that should be evaluated alongside any other display or video media.

Whatever the reason to use gaming, access to independently verified audience data is vital to ensuring that the ecosystem is effectively deployed in the service of brand growth. Our role in the equation is to identify the opportunity and navigate brands to the most relevant partner(s) based on the desired positioning, messaging, audience and outcome, work with them to interrogate and shape suitable proposals and - crucially - hold them accountable for transparent, measurable and safe delivery. Brand safety, brand suitability, and adjacency risks remain an issue for many brands. These risks vary by platform and channel with special consideration required for products or games targeting children.

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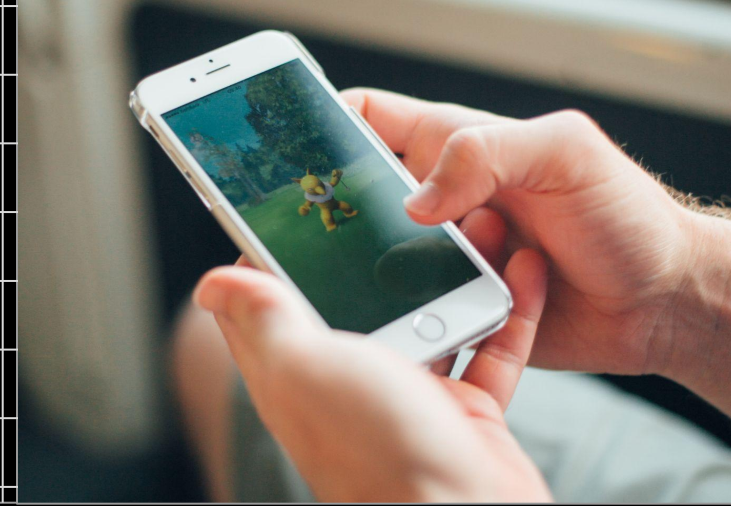

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Thank you.